

STATE OF SOUTH CAROLINA

(Caption of Case)
In the Matter of:

Application of Duke Energy Carolinas,
LLC for Approval of Energy Efficiency
Plan Including an Energy Efficiency Rider
and Portfolio of Energy Efficiency Programs

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2007 - 358 - E

(Please type or print)

Submitted by: J. Blanding Holman, IV

SC Bar Number: 72260

Address: Southern Environmental Law Center
200 W. Franklin Street, Suite 330
Chapel Hill, NC 27516

Telephone: (919)967-1450

Fax: (919)929-9421

Other: _____

Email: BHolman@SELCNC.org

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DOCKETING INFORMATION (Check all that apply)

- ☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously
- ☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2007-358-E

In the Matter of:)	TESTIMONY OF FRANK KNAPP JR.
)	ON BEHALF OF ENVIRONMENTAL
Application of Duke Energy)	DEFENSE, THE SOUTH CAROLINA
Carolinas, LLC for Approval of)	COASTAL CONSERVATION
Energy Efficiency Plan Including an)	LEAGUE, SOUTHERN ALLIANCE
Energy Efficiency Rider and Portfolio)	FOR CLEAN ENERGY AND THE
of Energy Efficiency Programs)	SOUTHERN ENVIRONMENTAL LAW
)	CENTER

1 **I. INTRODUCTION**

2

3 **Q. WHAT IS YOUR NAME, POSITION, AND BUSINESS ADDRESS?**

4 A. My name is Frank Knapp, Jr. I am the president and CEO of The South
5 Carolina Small Business Chamber of Commerce, 1717 Gervais Street, Columbia,
6 SC 29201.

7 **Q. PLEASE DESCRIBE THE SOUTH CARLINA SMALL BUSINESS**
8 **CHAMBER OF COMMERCE.**

9 A. The South Carolina Small Business Chamber of Commerce is a statewide
10 advocacy organization representing the interests of small businesses at all levels
11 of government including regulatory agencies. We are a membership organization
12 consisting of approximately 5000 small businesses that come from both individual
13 memberships and trade association memberships.

14 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE**

15 A. I co-founded The South Carolina Small Business Chamber of Commerce
16 in 2000. I served as executive director for several years and then as president and
17 CEO. In my position I have been responsible for the organization's efforts to
18 intervene in the South Carolina Public Service Commission's hearings on
19 proposed utility rate increases. Since 2002, either the organization or I have
20 intervened in four such cases involving SCE&G.

21 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

22 A. I am testifying on behalf of Environmental Defense ("ED"), the South
23 Carolina Coastal Conservation League ("CCL"), Southern Alliance for Clean
24 Energy ("SACE") and the Southern Environmental Law Center ("SELC"). These
25 nonprofit, nonpartisan organizations promote responsible energy choices that solve
26 global warming problems and ensure clean, safe and healthy communities in
27 South Carolina.

28 **Q. WHAT IS THE PURPOSE OF YOUR TESTIFYING IN THIS**
29 **PROCEEDING?**

1 A. My purpose is to assess the application and pre-filed testimony that Duke
2 Energy Carolinas (“Duke” or “the Company”) has submitted thus far in the
3 present docket. This material collectively constitutes the “Save-A-Watt” proposal.

4 **2. TESTIMONY AND RECOMMENDATIONS**

5 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

6 A. The South Carolina Small Business Chamber of Commerce has the
7 following concerns:

- 8 1. Duke’s rate on return for investment in the proposed Save-A-Watt
9 proposal is excessive compared to recent rates of return approved by the
10 Public Service Commission for SCE&G.
- 11 2. Duke proposes to achieve lower energy savings compared to similar
12 programs in other states.
- 13 3. A cursory examination of the revenue requirement and projected energy
14 savings suggests that customers under standard rate structures will pay
15 more for Save-a-Watt on a per kilowatt-hour basis than for generation (see
16 Knapp Exhibit A, attached to this testimony). In his testimony, Duke CEO
17 Jim Rogers stated, “the most environmentally sound, cost-effective and
18 reliable kilowatt of electricity may well be the one that we do not have to
19 generate.” Yet it appears that for each kilowatt-hour saved, customers will
20 be paying 22 cents (or more) – far in excess of any rates paid by any class
21 of customer in South Carolina. This result is the opposite of energy
22 efficiency programs in other states, which I understand typically ensure
23 that energy savings are not priced at a premium rate.
- 24 4. It is not clear that small businesses will have the same opportunity as other
25 classes of utility customers to conserve energy.
- 26 5. It is not clear what the fiscal impact will be on the small business class of
27 Duke customers and how this impact compares to that of other classes.

28
29 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS**

1 A. Several of my recommendations are the same as those of SACE witness
2 Dr. David Nichols. I have an additional recommendation relating to small
3 business customers. My recommendations are:

- 4 1. The Commission should reject the Company's application in its entirety.
- 5 2. The Commission should invite the Company to expand its load
6 management programs from their existing level, based on existing
7 ratemaking arrangements.
- 8 3. The Commission should invite the Company to file a new application to
9 operate new energy conservation programs, which: would base cost
10 recovery for new energy conservation programs upon the Company's
11 actual incurred costs; could include a mechanism to address revenue
12 erosion issues the Company identifies, if any, and could include a proposal
13 for a limited utility incentive mechanism based on conservation program
14 performance.
- 15 4. A new energy conservation program filing should also specify how Duke
16 will work with small businesses to conserve, and what the anticipated
17 impact on the small business class will be.
- 18 5. The Commission should consider opening a generic investigation to
19 explore issues relating to, and develop an appropriate regulatory
20 framework for, tapping South Carolina's potential for cost-effective
21 energy conservation in an effective and successful way that is fair to
22 ratepayers.

23 **Q. WHAT PROVISIONS TO EFFECTIVELY ASSIST SMALL BUSINESSES**
24 **TO CONSERVE ARE CONTAINED IN DUKE'S FILED PROGRAM**
25 **PLANS?**

26 A. I did not find any such provisions described. Small business customers are a
27 hard-to-reach market. They are not like larger firms that may have the resources
28 to carefully scrutinize the energy component of their costs, may even have energy
29 managers, and often have superior access to capital to make energy-related
30 investments, as compared to small business. Not only do I observe no programs
31 specifically designed to deliver energy conservation in this market, but I also note

1 that the demand response programs may largely bypass this market as well. At
2 the same time, of course, small business customers will be paying the very rapidly
3 increasing non-residential rate rider that Duke presents in its proposal.

4 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

5 **A. Yes, it does.**

Frank Knapp Jr. Exhibit A

Calculation of Revenue Requirement per Electricity Conserved by Save-a-Watt

Energy Savings (million kWh)	2008	2009	2010	2011
Save-a-Watt Savings - Carolinas	180	200	172	190
SC Save-a-Watt Savings	46	98	142	192
SC Retail Revenue Requirement	\$ 21 million	\$ 28 million	\$ 33 million	\$ 43 million
Revenue Requirement per kWh Saved	\$0.46	\$0.29	\$0.23	\$0.22

Data from Duke application (p. 3). Calculation of SC Save-a-Watt Savings is based on 25.8% of total system demand allocated to South Carolina, obtained from Duke response to Wal-Mart Data Request 1-12 (46,375 / 180,000).

CERTIFICATE OF SERVICE

I hereby certify that the following persons have been served with the Southern Environmental Law Center (SELCE), Southern Alliance for Clean Energy (SACE), the South Carolina Coastal Conservation League (CCL), and Environmental Defense (ED) pre-filed expert witness testimony of Frank Knapp, Jr.:

Catherine E. Heigel , Assistant General
Counsel
Duke Energy Carolinas, LLC
Post Office Box 1006, EC03T
Charlotte, NC, 28201-1066
Email: ceheigel@duke-energy.com

Jeremy Hodges, Counsel
Nelson Mullins, Riley & Scarborough,
LLP
1320 Main Street, 17th Floor
Columbia, SC 29201
Email: jeremy.hodges@
nelsonmullins.com

Nanette S. Edwards, Counsel
Office of Regulatory Staff
Post Office Box 11263
Columbia, SC, 29211
Email: nsedwar@regstaff.sc.gov

Scott Elliot, Counsel
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC, 29205
Email: selliot@elliottlaw.us

Frank R. Ellerbe III , Counselor
Robinson, McFadden & Moore, P.C.
P.O. Box 944
Columbia, SC, 29202
Email: fellerbe@robinsonlaw.com

Bonnie D. Shealy , Counsel
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC, 29202
Email: bshealy@robinsonlaw.com

Lawrence B. Somers, Assistant General
Counsel
Duke Power
Post Office Box 1244, PB05E
Charlotte, NC 28201-1244

James H. Jeffries IV, Counsel
Moore & Van Allen PLLC
Bank of America Corporate Center
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
jimjeffries@mvalaw.com

Robert E. Tyson, Jr.
Sowell Gray Stepp
Post Office Box 11449
Columbia, SC 29211

This 17th day of January, 2008.

S/Kate Double
Administrative Legal Assistant